

June 28, 1996

D.P.U. 95-95

Petition of Cambridge Electric Light Company and Commonwealth Electric Company, pursuant to General Laws Chapter 164, §§ 69I, 76, 94, and 94A, and 220 C.M.R. §§ 10.00 et seq. for review of the procedures by which additional energy resources are planned, solicited, and procured by Cambridge Electric Light Company and Commonwealth Electric Company.

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I. INTRODUCTION

On December 15, 1995, the Department of Public Utilities ("Department") approved a partial Settlement Agreement ("Partial Settlement") filed pursuant to 220 C.M.R. §§ 10.00 et seq., the Department's Integrated Resource Planning ("IRP") rules, by Cambridge Electric Light Company ("Cambridge") and Commonwealth Electric Company ("Commonwealth") (collectively, the "Companies"). Cambridge Electric Light Company/Commonwealth Electric Company, D.P.U. 95-95 (Letter Order, December 15, 1995). The Partial Settlement was signed by the Companies, the Attorney General of the Commonwealth, the Conservation Law Foundation, Wheeled Electric Power Company ("WEPCo") and the Department's Settlement Intervention Staff. Boston Edison Company, an intervenor, and Western Massachusetts Electric Company, a limited participant, did not sign the Settlement Agreement but did not oppose the terms. Cape and Islands Self-Reliance Corporation and Massachusetts Electric Company, both limited participants, did not sign the Partial Settlement and did not indicate their position regarding it.

The Partial Settlement called for the suspension of Department review of the IRP plan (except with regard to certain aspects of the resource procurement plan, as discussed below) until 90 days following the issuance of an order regarding the Companies' restructuring plan ordered by the Department in Electric Restructuring, D.P.U. 95-30 (1995).¹

The Partial Settlement also proposed that the parties would continue negotiations with respect to the Companies' demand-side management ("DSM") programs and established principles that would guide the negotiations. These principles asserted the importance of (1) maintaining

¹ In Order Commencing Notice of Inquiry/Rulemaking, D.P.U. 96-100, at 7 (1996), the Department directed the Companies to submit revenue-neutral unbundled rates on October 7, 1996.

consistency between the Companies' DSM activities and their plans for restructuring;

(2) recognizing the positive effects that well-designed DSM services and programs could have on the Companies' competitive positions; (3) providing customers with the opportunity to secure DSM services; (4) encouraging performance-based DSM contracting; (5) maintaining customer support for the Companies' ongoing DSM efforts by, among other things, maintaining the Companies' existing DSM rate caps; (6) promoting environmental benefits; (7) advancing the competitive position of the Companies' customers; (8) transforming the market for energy efficiency equipment and services; and (9) targeting DSM programs to particular geographic areas to reduce or defer transmission and distribution costs. The Department found that the proposed continuation of negotiations regarding DSM programs was appropriate.

On March 29, 1996, the signatories to the Partial Settlement filed a proposed Settlement Agreement ("Proposed Settlement") which purports to resolve the outstanding DSM issues.² The Proposed Settlement calls for Department approval no later than June 30, 1996 and is expressly conditioned upon the Department's approval of the Companies' proposed conservation charges ("CCs") to become effective July 1, 1996. The proposed CCs include, among other things, expenditures associated with DSM resources and services outlined in the Proposed Settlement and as discussed below. The proposed CCs are being reviewed by the Department in D.P.U. 96-2/3-CC.

II. DESCRIPTION OF PROPOSED SETTLEMENT

The Proposed Settlement calls for the Companies to procure DSM resources and services discussed below during the period July 1, 1996 through December 31, 1997, unless otherwise

² WEPCo did not sign the Proposed Settlement but did not indicate opposition to it.

noted.

A. Residential Lighting Program

The Residential Lighting Program ("RLP") would be available to all residential customers and would be implemented during the period July 1, 1996 through June 30, 1998. The primary offering through the RLP would be a three-bulb package of high efficiency compact fluorescent light bulbs consisting of 10, 25, and 39 watt compact fluorescent lamps equivalent to 75, 90 and 150 watt incandescent lamps. The Companies would contribute an average of \$35 per package (Proposed Settlement, Exh. B at 21).³

B. Emerging Technologies/Market Transformation

The Companies would pursue a range of activities in their residential and medium/large commercial and industrial market segments aimed at promoting the increased acceptance of new, efficient technologies and transforming the market (*id.* at 4). These activities include the implementation of the following programs: (1) the Geothermal/High Efficiency Heat Pump Program, targeted at residential electric space heating and electric water heating customers; (2) the E-SEAL Program, targeted at the residential new construction market;

³ The RLP was designed in coordination with the Attorney General pursuant to the terms of a settlement agreement between Commonwealth, the Attorney General and Boston Edison Company approved by the Department in Commonwealth Electric Company, D.P.U. 89-3C-2 (1990) (Proposed Settlement at 3). The settlement in D.P.U. 89-3C-2 established a Pilgrim Settlement Fund for DSM activities in Commonwealth's service territory, the distribution of which was entrusted to the Attorney General. For Commonwealth, nine dollars of the company's \$35 contribution would be derived from the Pilgrim Settlement Fund. For low income customers in Commonwealth's service territory, an additional two dollars per package from the Pilgrim Settlement Fund would be added to the Companies' contribution to further reduce the cost of the package to these customers (*id.*, Exh. B at 21).

(3) the Residential Education Program, whose objective is to promote new appliance technologies for building professionals and consumers; (4) the Commercial/Industrial Education program, whose objective is to promote electro-technologies to the commercial and industrial market sectors; and (5) the Residential Rooftop Photovoltaic Program (id., Exh. B). The Companies would prioritize their Emerging Technology activities to focus on particular areas within their service territories where the application of emerging technologies and services and market transformation activities may have the effect of reducing or deferring transmission or distribution investments (id. at 4).

C. Green Saver Programs

The Companies would continue their efforts to secure the maximum savings pursuant to existing contracts with energy service companies that are implementing Green Saver Programs (id. at 5).⁴

D. Conservation Voltage Regulation

The Companies would continue to pursue their Conservation Voltage Regulation ("CVR") programs consistent with the schedule established in Cambridge Electric Light Company/Commonwealth Electric Company, D.P.U. 93-15/16 (1994). The Companies would prioritize their CVR efforts to focus on particular areas within their service territories where the application of CVR resources and services may have the effect of reducing or deferring transmission or distribution investments (id.).

⁴ Green Saver Programs are those DSM programs that are being implemented by energy service companies selected through the Companies' Request for Proposal approved by the Department in Cambridge Electric Light Company/Commonwealth Electric Company, D.P.U. 91-234 (1994) (Proposed Settlement at 5).

The Proposed Settlement states that each of these programs is consistent with the principles established in the Partial Settlement (id. at 3-5). The proposed budgets for each program are shown in Table 1 to this Order. The programs and budgets are to be implemented through CCs approved in D.P.U. 96-2/3-CC.

III. STANDARD OF REVIEW

In assessing the reasonableness of a settlement offer, the Department must review the entire record as presented in the Companies' filing and other record evidence to ensure that the settlement is consistent with Department precedent and the public interest. Cambridge Electric Light Company/Commonwealth Electric Company, D.P.U. 95-95 (Letter Order, December 15, 1995); Western Massachusetts Electric Company, D.P.U. 94-12, at 4 (1994); Fitchburg Gas and Electric Company, D.P.U. 92-181, at 12 (1993); Western Massachusetts Electric Company, D.P.U. 92-13, at 7 (1992). It is appropriate to accept a proposed settlement agreement if the intended purpose of the IRP procedures -- to implement procedures by which additional resources are planned, solicited and procured to meet an electric company's obligation to provide reliable electrical service to ratepayers at the lowest total cost to society -- would not be advanced by a continued review of the current filing.

The Department notes that the interests of ratepayers are served by an IRP process that is flexible in the means employed to establish the need for and the cost of additional resources.

IV. ANALYSIS AND FINDINGS

Based on this standard of review, the Department finds that the Proposed Settlement is consistent with Department precedent and the public interest. The Proposed Settlement in this proceeding represents agreement among a broad range of interests, and the Department finds that the goals of IRP would not be advanced by a continued review of the current filing. Therefore, the Department approves the Proposed Settlement. In accordance with the terms of the Proposed Settlement, acceptance by the Department of this settlement does not constitute a determination as to the merits of any allegations, contentions or arguments made in this proceeding.

By Order of the Department,

John B. Howe, Chairman

Mary Clark Webster, Commissioner

Janet Gail Besser, Commissioner

Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).